

Community

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Community Affairs Evolves in Response to Information Needs

The Federal Reserve System's community affairs function has had an evolutionary development, according to Richard Einan, assistant vice president and community affairs officer, Federal Reserve Bank of Minneapolis.

With enactment of the Community Reinvestment Act of 1977 (CRA), federal financial regulators were required to encourage lenders to help meet the credit needs of their communities. To implement this new responsibility, the regulators incorporated an assessment of an institution's community investment performance into the consumer compliance examination. "We got the sense over time, however, that there was a larger role for the Federal Reserve to play," Dick explains.

Carolyn Line, community affairs coordinator, explains further: "When our examiners began assessing compliance with CRA during examinations of state member banks, they discovered that many banks were unaware of ways in which they might contribute more actively to their community. There seemed to be a need for more information about government programs and other means of promoting local economic development."

In addition, CRA provided a mechanism for protesting certain bank and holding company applications on community investment grounds. There was a need, therefore, to centralize responsibility for managing the progress of actions brought under CRA. In response to these information and procedural needs, the Fed's community affairs function was created in 1981.

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To Our Readers:

Responsiveness to local needs has always been part of good banking. Today, meeting your communities' deposit and credit needs brings new challenges.

To help you meet these challenges, the Federal Reserve Bank of Minneapolis inaugurates this periodic newsletter, Ninth District COMMUNITY. In particular, COMMUNITY will focus on creative ways of meeting your communities' credit needs, compliance issues, and other consumer concerns. It will feature innovative program and partnership experiences of Ninth District banks.

Most important, COMMUNITY is intended to be a working paper. Whenever possible, we will make it easier for you to follow up on featured programs by adding contact names with address and phone number.

This newsletter is produced as part of the Minneapolis Fed's community outreach work. We encourage you to contact our community affairs staff, whose activities are described in this issue.

We also invite your input to make COMMUNITY a more effective tool for you. With your help, we can identify community issues and innovative responses District-wide. We look forward to your participation.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary H. Stern".

Gary H. Stern
President

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Consistent with the function's original charge, a majority of community affairs activities are educational, involving an outreach program to lenders, local governments and community groups involved in community development. In the Ninth District, community affairs is part of the Office of Public Information. In some other Districts, it is part of the Banking Supervision Department.

Since community affairs emphasizes information and education, Dick feels that it's an advantage to have the function located in Public Information. Moreover, as a separate function from the consumer examination function, the community affairs office complements the examiners' supervisory role by serving as a resource for both communities and banks. The community affairs office is also well-situated to mediate disputes between banks and consumer representatives where necessary.

Given the size of the Ninth Federal Reserve District and the diversity of its communities, the task of CRA information gathering and dissemination is formidable. To meet this challenge, the Bank's community affairs staff is always looking for more efficient ways to meet their information-related objectives.

Consumer examiners are one very effective resource. "While they are doing examination work, they are also looking for clues, recurring things that suggest information needs we could fill," Dick explains. "They also help us identify banks that may need assistance in finding ways to better meet their communities' credit needs."

Carolyn meets with community and neighborhood groups and conducts seminars which help gather additional feedback on education needs. Both she and Dick keep up on CRA activity through newsletters, newspapers and attending programs nationwide.

Community affairs personnel throughout the System also gather and share information. "Our colleagues at other Reserve Banks are tremendously helpful," Carolyn adds. "Through them we can identify issues, opportunities and

About the Staff

Dick Einan brings nearly 18 years experience with the Federal Reserve Bank to his community affairs position; Carolyn Line, 13 years with the Bank plus a diversified background.

Dick holds a Bachelor of Science degree from Macalester College in St. Paul, MN, and has completed graduate studies in commercial lending and bank administration. His previous experience includes four years in the savings and loan industry and serving as the Bank's Discount officer. Dick has also been an active community volunteer, promoting a self-help partnership approach to addressing local economic needs.

resources in other Districts. Often, much of what we learn can be applied in our District."

This newsletter is another way of sharing ideas about community investment options. "Occasionally, some credit needs are not fully met because financially sound solutions aren't apparent," observes Dick. "But another community may have solved a similar problem. If that information can be shared, we think we'll see more innovative responses to reinvestment opportunities.

"Through this newsletter, we can share ideas about successful programs while stressing the importance of reaching out into the individual community. Your own situation, your own community, always has its own set of special conditions; but often, there are existing programs and partnership models you can adapt to fit your needs. You may find ways to write down risk or identify combinations of government programs that help make funds available to people you thought you couldn't reach."

In developing this newsletter, Dick and Carolyn have had no difficulty identifying banks that do an excellent job of meeting credit needs. "Some of the leadership exhibited by the banking community in this area has been very progressive, not just by the large institutions, but also by rural banks. Some small banks are doing a terrific

Carolyn Line received a B.A. in English from the University of North Carolina, Greensboro, and earned an M.S. in Library Science from the University of North Carolina in Chapel Hill. After moving to Minnesota, she entered the William Mitchell College of Law, earned her J.D. and was admitted to the Minnesota Bar in 1978.

Carolyn joined the Federal Reserve in 1973, first as a librarian in the Bank's Research Library and then in the Office of Public Information as government information representative working with elected officials and their staffs.

job. (See Peoples State Bank article.) In saluting them through this newsletter," Dick says, "we expect they will become a network for other small banks."

"I have a great deal of enthusiasm for the Federal Reserve's outreach role," continues Dick. "It's become pretty clear that what we're talking about is just good banking and good business."

For information on community reinvestment programs, the Community Reinvestment Act and CRA protest procedures, contact Dick Einan at (612) 340-2067 and Carolyn Line, (612) 340-2048, Community Affairs, Federal Reserve Bank of Minneapolis.

This newsletter is designed primarily to assist financial institutions in the Ninth Federal Reserve District in developing creative responses to consumer issues and to the goals of the Community Reinvestment Act.

Produced by the Office of Public Information under the direction of Richard K. Einan, assistant vice president and community affairs officer, and Carolyn P. Line, community affairs coordinator.

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Plainview Gears Up to Meet the Future

When things are going well, it's tougher to plan for the future.

Plainview is a relatively prosperous farm trade center in southeastern Minnesota. Serving a triangular-shaped area bounded by Winona, Lake City and Rochester (home of the Mayo Clinic), Plainview generates about three times the average economic activity of a town of 2,500. It has two good-sized banks, and its farming community has not been as hard hit as in some other areas.

But the economy is changing. "One problem is that we'll have fewer farmers in the future," according to W.H. (Bill) Zabel, vice president, Peoples State Bank, Plainview, "and those farmers will need more credit and more services. It will be a question of whether or not people in Plainview, as merchants, bankers and so forth, can meet that need."

Bill is a lifelong resident of Plainview and an unabashed advocate of small town living. "I probably have the same ideas as a lot of people in town. Plainview is a really good place to live. We want to preserve it and to continue the good economic positioning we have now."

This takes planning, and while most townspeople agreed there should be some kind of economic planning, no one was acting on it. "I look on my job as a senior bank officer as having a responsibility for economic development," Bill explains. "In a smaller community, if there's going to be any development or moving force, it's probably going to come from a bank. I decided if no one else was going to do it, I'd better do it."

As past city treasurer and park board chairman, Bill was familiar with the various government economic programs available. Minnesota's Star City program interested him. "I tend to resist state and federal programs because I believe we have to do it ourselves. I like this program because it makes us do something."



The Plainview Area Development Corporation's executive board meets twice a month. Left to right, John Peterson, Dean Harrington, Don Schultz and Bill Zabel.

Star City is a program sponsored by the Economic Development Division of the Minnesota Department of Energy and Economic Development. It is designed to strengthen a community's potential for attracting new business, retaining existing business and for promoting a healthy economic base.

After admission to the program, a community must complete 11 marketing- and planning-oriented tasks to qualify for Star City certification.

"The program promises nothing other than if you follow it and qualify as a Star City, you are recognized as having met the minimum standards necessary to be competitive in bidding for new business," Bill explains. "You've made your community more dynamic and better able to market itself."

Bill got the ball rolling in Plainview with a town meeting May 3, 1984. About 100 people, a surprisingly large turnout, attended. His message was simple and straightforward: We need to maintain Plainview's economic viability and we need to do it now. The audience was receptive.

As a result, an economic development planning committee was formed to develop strategic planning objectives. This committee was composed of a central steering committee and five subcommittees, each dedicated to study specific areas of concern.

Study results and recommendations were compiled into a planning document and presented to the City Council in the fall of 1984. The recommendations included seeking Star City certification. The Council endorsed the proposal and set aside \$7,500 of its budget for implementation expenses. The committee then applied to the State for admission to the Star City program.

With the Council's endorsement and admission to the program, Plainview began the 11-step process. The community created a local development corporation, the Plainview Area Development Corporation, and prepared a community statistical profile. A larger fact booklet will supplement the profile.

Star City participants must also develop long-range capital plans. These include a five-year capital improvement plan and a one-year plan for implementing the five-year plan. Plainview is now developing its capital plan.

As it nears completion of the 11 steps, each participating community must prepare a ten-minute marketing presentation. Plainview is considering a video format. The video, profile and fact book will be the town's major marketing tools. Together, they contain the information any business or private citizen would need to know before considering relocation. Farther down the line, a three-person marketing team will represent Plainview in meetings with new business prospects.

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Throughout the process, each community is in touch with other Star City participants, exchanging information. A Star City conference held annually in the Twin Cities gives participants, both certified Star Cities and communities working toward certification, the opportunity to pick up ideas and suggestions.

In Plainview, all of these efforts have been coordinated through the Plainview Area Development Corporation's executive board which meets every second and fourth Thursday of the month. The board consists of Bill Zabel; Don Schultz, an implement dealer; Dean Harrington, another banker; and John Peterson, a pharmacist. Each board member is responsible for a subcommittee and acts as liaison between that subcommittee and the board.

The community expects to achieve Star City certification by the end of the year. It will have taken over two years' time and about \$10,000 to \$15,000. And it doesn't end there. Star Cities must recertify every year.

"We will always be in process," says Bill. "That's the key to the whole thing. We will achieve Star City status, and that will be a benchmark. But it means that we have achieved minimum standards only. We'll always be improving."

Obviously, the Star City program is not a quick shot-in-the-arm fix guaranteed to produce economic success. It requires a great deal of hard work and commitment. So, is the program worth it?

"Yes," Bill maintains. "In a ten-year period, we might get two or three new businesses. If we get one, I would consider it worth the effort.

"Another important point is that when you start thinking about what you have to do to get new businesses, you step back and look if you're doing that much for the businesses you already have." Plainview expects over 70 percent of its increased business activity to come from existing businesses.

During the past year, the board has worked with and helped several businesses revitalize. When the local bowling alley was in trouble, they helped look for a good manager who could buy it and turn it around. Now that business is doing better than it has in years.

The importance of saving businesses like the bowling alley, Bill stresses, is that once they are gone, they may never be replaced. Witness the number of empty movie theaters in small towns, he adds.

According to Bill, the current economic climate of Plainview is good. When the planning process was first proposed, not everyone was convinced of the need for strategic planning, especially since the benefits would come years down the road. Understandably, some people wanted to see quicker results.

But Bill persuaded them to take action by putting their position into perspective. He pointed out some other small towns which have lost their economic base and are no longer economically viable. "I can take you to some towns and park six semis down the main street right now. They are economically dead. There are very nice people living there, but they do their shopping somewhere else."

At the other end of the spectrum, other towns, about the size of Plainview and a little larger, have already initiated strategic planning and are making progress toward their goals, Bill advised. If Plainview doesn't meet the competition, it could be left behind.

Certain factors existing in Plainview have favorably influenced Bill's drive. For one thing, the demographics are favorable. Many of Plainview's businesspersons are educated and fairly young, with an average age of 35 to 40. Not only are they enthusiastic, but they have a real stake in the town's future.

Plainview is also in an ideal situation to capitalize on the trend of movement from cities into the country. Rochester,

The Minnesota Star City Program's next annual conference is scheduled for September 16-18, 1986.

which is a higher-than-average growth area, is only 20 miles away. According to Bill, before the gas crunch of the 70s, people were moving to Plainview from Rochester "in flocks."

Given an increase in jobs and services available, Bill thinks Plainview will again be an attractive alternative to city living. "The quality of life you find in a small town like Plainview is unbeatable."

Montana readers should take note of a similar program, Montana Certified Cities. For information, contact:

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1424 Ninth Avenue
Helena, MT 59620
(406) 444-3494*

Since the initial town meeting in May 1984, Plainview has completed many of the steps in the Star City program. There is a greater awareness in the community and willingness to gear up for the future. Business and service organizations are cooperating in ways they had not tried before. Bill continues to serve as the catalyst, working with a key group of about 30 people.

Whether or not a community seeks Star City certification, Bill recommends the program as a basic planning and marketing strategy. "A community is like a business. If it has no management or goals, it just kind of meanders."

With its strategic plan in place, Plainview expects to be economically viable into the 1990s and beyond. "I think we'll always be a farm trade center," Bill adds, "but we'll have to rely less on that in the future. Whatever farming is going to evolve into and whatever Plainview is going to evolve into, we'll be ready."

For information contact:

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